

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE:)
) CASE NO. 00-1859 (JCA)
LAROCHE INDUSTRIES INC.)
and LAROCHE FORTIER INC.,) CHAPTER 11
)
) JOINTLY ADMINISTERED
)
Debtors.)
)

**ORDER APPROVING MODIFICATION OF CERTAIN
NON-PENSION RETIREE BENEFITS UNDER 11 U.S.C. §1114**

Upon the motion of LaRoche Industries Inc. ("LaRoche"), a debtor and debtor in possession in the above captioned bankruptcy cases, requesting the modification of certain non-pension retiree benefits under 11 U.S.C. §1114 (the "Motion"); and upon the record made at the hearing on July 19, 2001, setting forth the terms of an agreement between LaRoche and the United Steelworkers of America (the "Union") as the authorized representative of employees and retirees covered under collective bargaining agreements and benefit plans providing for retiree benefits (the "Hourly Retirees"); and it appearing that this proceeding is a core proceeding pursuant to 28 U.S.C. §157(b); and all objections to the Motion having been overruled; and after due deliberation and cause appearing therefor; it is hereby:

ORDERED, that other than as specifically provided for in this order (the "Order") none of LaRoche, LaRoche Fortier Inc., Reorganized Debtor (as defined in LaRoche's Second Amended Joint Plan of Reorganization") nor any affiliate or successor of any of the foregoing (collectively, the "LaRoche Entities") shall have any obligation to provide Retiree Benefits, as defined in 11 U.S.C. § 1114(a), to any Beneficiaries (as defined in

the Motion) including the eligible dependents of such Beneficiaries (collectively, the "Covered Persons").¹ To the extent this Order conflicts with any prior agreement with the Union, or with the terms of any applicable benefit plan or with any other agreement or contract with any Covered Person the terms of this Order shall prevail; and it is further

ORDERED, that effective August 31, 2001, all life insurance coverage currently provided or subsidized by the LaRoche Entities to Covered Persons will cease. If any Covered Person elects to pay 100% of the premium applicable to individual life insurance coverage, he or she shall have the right to convert to individual coverage to the extent provided for and consistent with the terms of the applicable policy or plan; and it is further

ORDERED, that LaRoche shall continue to provide Retiree Benefits under its current programs, including all applicable premium subsidies, until September 10, 2001; and it is further

ORDERED, that effective September 11, 2001, all eligible Covered Persons shall have the option, to continue coverage for Retiree Benefits at their own expense pursuant to COBRA ("COBRA Coverage"). LaRoche will provide eligible Covered Persons with appropriate notices and forms for COBRA Coverage; and it is further

ORDERED, that through and including August 31, 2004, for any eligible Covered Person who elects and maintains COBRA Coverage, LaRoche shall provide a monthly premium subsidy, which will vary based on the number of Participants (as defined

¹ For purposes of this Order, all obligations of the LaRoche Entities to provide Covered Persons with medical, surgical, or hospital care benefits, or benefits in the event of sickness, accident, disability, or death, any similar benefits and all other non-pension retiree benefits shall be collectively referred to as "Retiree Benefits."

herein) for whom such coverage is maintained. This premium subsidy program shall be in effect for three (3) one year periods (each year being one "Period") the first of which shall begin on September 11, 2001 and the third of which shall terminate on and as of August 31, 2004. For the first Period of this program, the aggregate LaRoche premium subsidy will be \$297,000 per annum. This amount is subject to adjustment for the second and third Periods as described below, but in no event shall be less than \$297,000 in each Period, except for such Period in which the amount necessary to provide a 100% per capita subsidy to the remaining Participants (as defined below) is less than \$297,000. For purposes of this Order, the per capita premium subsidy for each Reconciliation Period (as defined below) shall be determined by dividing the aggregate subsidy for such Reconciliation Period by the number of eligible LaRoche retirees, including their eligible dependents, who have elected COBRA Coverage (the "Participants") as of the beginning of the month prior to the month in which the reconciliation is performed (whether or not represented by the Union). The amount of the per capita premium subsidy shall be recalculated every six (6) months (each six month period between such recalculations being known as a "Reconciliation Period") and shall be as illustrated by the chart attached as Exhibit 1, except that the first Reconciliation Period will end on January 31, 2002, and the calculation based upon the number of Participants as of January 1, 2002; and it is further

ORDERED, that, for each Reconciliation Period, LaRoche shall prepare a reconciliation report (a) containing the names of the Participants for whom coverage has continued and those whose coverage has ceased and will show the recalculated per capita subsidy and the resulting premium in effect for the ensuing six (6) month period; (b) will

be sent to an individual to be designated by the Union at its Pittsburgh headquarters; and (c) will designate a LaRoche employee who should be contacted for administrative issues and the third party administrator entity that handles such benefit claim and administration issues; and it is further

ORDERED, that on or about each year beginning January 31, 2002 (each a "Recalculation Date"), LaRoche shall recalculate the COBRA Coverage premium owed by the Participants for the immediately succeeding twelve (12) months. In the event of an increase in the per capita COBRA Coverage premium, for 2002, 2003 or 2004, the per capita premium subsidy contributions applicable to the Period succeeding the relevant Recalculation Date shall be adjusted in accordance with the methodology reflected by the illustrations set forth in Exhibit 1 and incorporated herein by reference; and it is further

ORDERED, that in the event that a Participant's coverage lapses or ceases for non-payment of premium (a "Coverage Lapse"), the Participant will be allowed to re-enroll for COBRA Coverage on a one-time basis only, subject to the following:

(a) The Participant must re-enroll for COBRA Coverage within the same Reconciliation Period of a Coverage Lapse and thereafter pay all applicable premiums;

(b) COBRA Coverage will not be reinstated for the period subsequent to the Coverage Lapse and prior to a Participant's re-enrollment. No benefits will be paid to or on behalf of a Participant for any claim incurred during the Coverage Lapse period and any such claim submitted by the Participant need not be honored;

(c) LaRoche will not seek payment of unpaid premiums for the Coverage Lapse period;

(d) This special re-enrollment option shall be in addition to and not in lieu or waiver of any COBRA rights regarding non-payment of premiums and reinstatement of coverage

provided, however, that this special re-enrollment option shall be contingent upon LaRoche obtaining insurability and/or underwriting approval to provide such re-enrollment option both as to the special re-enrollment option in general terms and in specific application to the Participant. LaRoche shall use its best efforts to obtain such approvals but shall not be obligated to incur additional costs of premium charges to obtain such approval; and it is further

ORDERED, that LaRoche shall promptly prepare and finalize written communications to eligible Covered Persons, permitting reviews and input from the Union regarding communications to Hourly Retirees with an anticipated mailing date no later than August 17, 2001; and it is further

ORDERED, that in the event of a dispute or disagreement regarding the interpretation, application or administration of the terms described herein as applied to Hourly Retirees, LaRoche and the Union shall engage in good faith discussions regarding the resolution of the matter. In the event that the parties are unable to resolve any such dispute, the matter may be submitted to arbitration by either party. An arbitration request must be submitted within thirty (30) days of the acts or events complained of and the arbitration will be conducted in accordance with AAA Employment Dispute Resolution Rules and will be conducted in Atlanta, Georgia. Arbitration shall be the exclusive

means of pursuing any claims relating to this Order and as to Hourly Retirees represented by the Union, only the Union shall have the right to pursue and process any dispute to arbitration hereunder.

ORDERED, that in the event of a dispute or disagreement regarding the interpretation, application or administration of the terms described herein as applied to Covered Person other than Hourly Retirees, LaRoche and the Covered Person shall engage in good faith discussions regarding the resolution of the matter. In the event that the parties are unable to resolve any such dispute, the matter may be submitted to arbitration by either party. An arbitration request must be submitted within thirty (30) days of the acts or events complained of and the arbitration will be conducted in accordance with AAA Employment Dispute Resolution Rules and will be conducted in Atlanta, Georgia. Arbitration shall be the exclusive means of pursuing any claims relating to this Order.

Dated: August 10, 2001

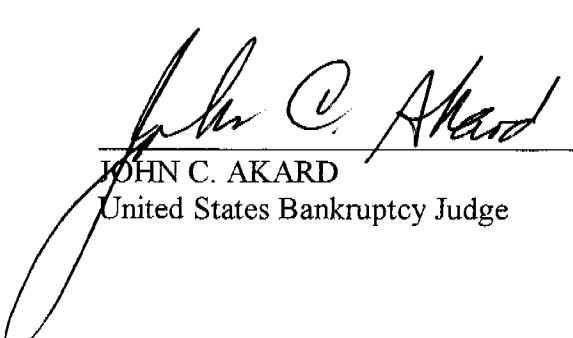

JOHN C. AKARD
United States Bankruptcy Judge

EXHIBIT 1

Premium Subsidy Calculation Examples:

Subsidy Pool	\$297,000	\$297,000	\$297,000	\$297,000
Population (Number of Retirees and their Dependents)	600	550	500	450
Per Capita Subsidy	\$495	\$540	\$594	\$660
Months	12	12	12	12
Per Capita Subsidy/Mo.	\$41.25	\$45.00	\$49.50	\$55.00

Illustration A

Assumptions:

INITIAL PERIOD		SECOND PERIOD		AMENDED
Population	550	Population	500	
Aggregate Premium	\$2,000,000	Aggregate Premium	\$2,000,000	
Gross Annual Premium	\$3,636	Gross Annual Premium	\$4,000	
Gross Monthly Premium	\$303.03	Gross Monthly Premium	\$333.33	\$333.33
Monthly Subsidy	\$45.00	Monthly Subsidy	\$49.50	\$51.67
Net Monthly Premium	\$258.03	Net Monthly Premium	\$283.83	\$281.67

Increase Contribution Calculation:

Second Period Gross Annual Premium	\$4,000
First Period Gross Annual Premium	\$3,636
Annual Premium Increase	\$364
Annual Premium Inc (%) (\$364/\$3636)	10%
LaRoche Exposure (%) (50% of up to 4% Increase)	2%
LaRoche Exposure (\$) (\$3636x2% \times 550)	\$39,996.00
Less:	
Increase Due to Attrition (\$4.50/Month \times 12 Months \times 500)	\$27,000.00
Required Increase in LaRoche Funding	\$12,996.00
Amended Subsidy Pool (\$297,000+\$12,996)	\$309,996
Amended Monthly Subsidy (\$309,996/12/500)	\$51.67

Exhibit 1 Page 2

Illustration B

Assumptions:

INITIAL PERIOD		SECOND PERIOD		AMENDED
Population	550	Population	550	
Aggregate Premium	\$2,000,000	Aggregate Premium	\$2,200,000	
Gross Annual Premium	\$3,636	Gross Annual Premium	\$4,000	
Gross Monthly Premium	\$303.03	Gross Monthly Premium	\$333.33	\$333.33
Monthly Subsidy	\$45.00	Monthly Subsidy	\$45.00	\$51.06
Net Monthly Premium	\$258.03	Net Monthly Premium	\$288.33	\$282.27

Increase Contribution Calculation:

Second Period Gross Annual Premium	\$4,000
First Period Gross Annual Premium	\$3,636
Annual Premium Increase	\$364
Annual Premium Inc (%) (\$364/\$3636)	10%
LaRoche Exposure (%) (50% of up to 4% Increase)	2%
LaRoche Exposure (\$) (\$3636x2% x 550)	\$39,996.00
Less:	
Increase Due to Attrition (\$0/Month x 12 Months x 550)	\$-
Required Increase in LaRoche Funding	\$39,996.00
Amended Subsidy Pool (\$297,000+\$39,996)	\$336,996
Amended Monthly Subsidy (\$336,996/12/550)	\$51.06

Illustration C

Assumptions:

INITIAL PERIOD		SECOND PERIOD	
Population	550	Population	450
Aggregate Premium	\$2,000,000	Aggregate Premium	\$1,800,000
Gross Annual Premium	\$3,636	Gross Annual Premium	\$4,000
Gross Monthly Premium	\$303.03	Gross Monthly Premium	\$333.33
Monthly Subsidy	\$45.00	Monthly Subsidy	\$55.00
Net Monthly Premium	\$258.03	Net Monthly Premium	\$278.33

Increase Contribution Calculation:

Second Period Gross Annual Premium	\$4,000
First Period Gross Annual Premium	\$3,636
Annual Premium Increase	\$364
Annual Premium Inc (%) (\$364/\$3636)	10%
LaRoche Exposure (%) (50% of up to 4% Increase)	2%
LaRoche Exposure (\$) (\$3636x2% \times 550)	\$39,996.00
Less:	
Increase Due to Attrition (\$10/Month \times 12 Months \times 450)	\$54,000.00
Required Increase in LaRoche Funding (No Added Funding Req'd)	\$(14,004.00)
Amended Subsidy Pool (\$297,000+\$0)	\$297,000
Amended Monthly Subsidy (\$297,000/12/450)	\$55.00